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November 16, 1995

The Honorable James T. Walsh
Chairman
Subcommittee on Appropriations
for the District of Columbia
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to a September 16, 1995, request from your office, we are providing you information on the structure and operations of certain control boards currently in existence. For each of the control boards selected, we identified the

- source of office space,
- number and composition of board staff,
- staff salaries,
- buy-out/transfer arrangements,
- frequency of audits, and
- years in existence.

We judgmentally selected the following five active control boards: New York State Financial Control Board for the City of New York, Pennsylvania Intergovernmental Cooperation Authority for the City of Philadelphia, Massachusetts Fiscal Oversight Board for the City of Lawrence, State of New York Emergency Financial Control Board for the City of Yonkers, and New York State Supervisory Board for the City of Troy.

In a letter to each of the five control boards, we requested relevant information on its structure and operations. We also conducted follow-up telephone interviews with control

board staff to clarify the data they had provided and obtain additional data. We did not, however, independently verify the information provided to us. We did our work from October 5, 1995, through October 31, 1995.

Enclosure I summarizes key information on the five control boards, and enclosure II provides more detail.

We are sending copies of this letter to the Chairmen and Ranking Minority Members of the Senate and House Committees on Appropriations and the Ranking Minority Member of your Subcommittee. If you need further information, please contact me at (202) 512-9510 or Hodge Herry, Assistant Director, at (202) 512-9469.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gregory M. Holloway". The signature is fluid and cursive, with the first name "Gregory" being more legible than the last name "Holloway".

Gregory M. Holloway
Director, Civil Audits

Enclosures

KEY INFORMATION ON FIVE EXISTING CONTROL BOARDS

Issue	Control Board				
	New York City	Philadelphia	Lawrence	Yonkers	Troy
Office space	Not in city owned space. New York State office building.	Not in city owned space. Leased space from private developer.	Not in city owned space. Massachusetts State office building.	Not in city owned space. Leased space from private organization.	Not in city owned space. New York State office building.
Staff size ^a	25 authorized 23 current staff	No specific number authorized ^b 7 current staff	No separate budget, staff, or office space	10 authorized 4 current staff	Board is in the process of determining staff, budget, and office needs.
Staff composition	-Executive director -First deputy director -Deputy director revenue -Deputy director finance -Deputy director expenditures -General counsel -Associate director administration -Additional staff (16) ^c	-Executive director -Deputy executive director -Senior analyst -Analyst -Administrative assistant -Secretary -Secretary/receptionist	Massachusetts Division of Local Services provides professional and support services as part of regular duties.	-Executive director -Associate financial analysts (2) -Secretary	Office of the State Comptroller, Division of Municipal Affairs, provides professional and support services as collateral duties and without additional compensation.
Staff salaries	Executive director's salary is comparable to that of New York City's budget director. Staff salaries established by a salary plan developed by the Control Board and approved by State Division of Budget. No local pay adjustment.	The Board sets the executive director's salary. The executive director sets all other staff salaries. No state/local government tie-in.	Salaries tied to state pay scale.	Salaries tied to the state's salary scale. Local pay adjustment for New York City metropolitan area.	Salaries tied to state pay scale.
Buy-out/transfer arrangements ^d	None	None	None	None	None
Frequency of audits	None	Annual CPA firm audit	None	None	None
Years in existence	20	4	5	11	1

(notes on next page)

ENCLOSURE I

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^aCurrent staff levels are as of October 31, 1995.

^bWhile the specific staff size has not been authorized, the Board's fiscal year 1996 budget provides for 8 full-time and 1 part-time staff.

^cThe 16 additional staff include 2 senior associate analysts, 1 associate analyst II, 4 associate analysts, 3 analysts, 1 administrative officer, 1 office manager/executive secretary, 1 special office assistant, and 3 secretarial stenographers.

^dThis refers to any buyout of employment contract or reemployment rights of staff.

CONTROL BOARDSOVERVIEW

Over the past 20 years, a number of control boards have been developed to oversee cities and school districts faced with financial, management, and structural problems, such as those facing the District of Columbia. Some of these boards have satisfied their legislative mandates and have been dissolved. For instance, Brockton and Chelsea, Massachusetts, terminated their control boards in 1993 and in 1995, respectively, and Cleveland's control board was dissolved in 1987. In addition, the financial oversight responsibilities of the Chicago School Finance Authority were suspended as of July 1, 1995.¹

The following provides more detailed information on each control board.

NEW YORK STATE FINANCIAL
CONTROL BOARD FOR THE
CITY OF NEW YORK

The New York State Financial Control Board for the City of New York was established in September 1975. The Control Board oversees an annual budget of approximately \$31.5 billion² for a population of approximately 7.3 million people.³

The Control Board has seven members: four ex officio and three appointed members. The four ex officio members are the governor, the state comptroller, the mayor, and the city comptroller. The governor serves as chairman, and the three private members are appointed by the governor with the advice and consent of the New York State Senate.

¹The financial oversight responsibilities of the Chicago School Finance Authority were suspended because the Chicago Board of Education is no longer required to have a balanced budget. However, the Chicago School Finance Authority still exists to collect taxes and pay principal and interest on outstanding bonds.

²This information was taken from New York City's fiscal year 1996 general fund adopted budget.

³This information was taken from the 1990 population census.

Number and Composition of Board Staff

The governor and the mayor jointly appoint the Control Board's executive director. The executive director is assisted by a first deputy director who has general responsibilities for day-to-day operations. During the years directly following its establishment, the Control Board had 32 staff. At present, the authorized staff level is 25, with 23 positions currently filled. The staff of the Control Board is divided into five units:

- The Economic and Revenue Analysis unit monitors the city's tax and miscellaneous revenue projections. This unit consists of a deputy director, one senior associate analyst, and two associate analysts.
- The Finance and Capital Analysis unit monitors the financing and capital programs of New York City and its covered organizations,⁴ including credit market conditions, city bond and note issues, debt service projections, and the city's unrestricted and restricted cash balances. This unit consists of a deputy director, one senior associate analyst, and one analyst.
- The Expenditure and Covered Organization Analysis unit monitors intergovernmental revenues, all expenditures of the agencies directly under mayoral control, and the revenues and expenditures of the covered organizations. This unit, headed by a deputy director, has five analysts.
- The General Counsel office advises the Board members and the executive director on the duties and powers of the Control Board and represents the Board in legal matters.
- The Administrative and Support unit provides administrative and management support to the Control Board staff, including purchasing, budgeting, and clerical assistance. This unit, headed by an associate director, has six support staff.

⁴A covered organization is defined to include any "governmental agency," "public authority," or "public benefit corporation" which receives or may receive moneys directly, indirectly, or contingently from the city (other than moneys for the furnishing of goods, services, or loans to the city).

Staff Salaries

The executive director's salary, by agreement, is comparable to the salary of the city budget director. Staff salaries are tied neither to the state's nor the city's pay scales but were established by a salary plan developed by the Control Board and approved by the New York State Division of the Budget. According to the Board, the salaries are higher than comparable state and city government positions to attract highly capable individuals with advanced academic degrees. The staff of the Board do not receive a locality pay adjustment because of the higher pay scale. Staff are considered management/confidential exempt employees because they do not have civil service status and are not eligible for step increases.⁵ Merit increases and cost-of-living increases follow the state's agreement with management/confidential employees.

Office Space

The Board's office is physically located in a New York State office building in New York City.

Buy-out/Transfer Arrangements

There were no buy-out arrangements or other transfer arrangements⁶ from the staff's previous employers. The Control Board has direct hire authority, and candidates negotiate their own salaries within the salary range of the position.

Audit of Board

The Control Board has never been audited. As a state agency, its financial transactions are reviewed and approved by the New York State Division of the Budget and the New York State Comptroller on a regular basis.

⁵A step increase is a periodic increase in an employee's rate of basic pay from one step of the grade of his or her position to the next higher step of that grade.

⁶This refers to any buyout of employment contract or reemployment rights of staff.

PENNSYLVANIA INTERGOVERNMENTAL
COOPERATION AUTHORITY FOR THE
CITY OF PHILADELPHIA

The Pennsylvania state legislature established the Pennsylvania Intergovernmental Cooperation Authority (PICA) on June 5, 1991. PICA was established to provide financial assistance to cities of 500,000 residents or more. PICA was established for the City of Philadelphia, which has a population of approximately 1.6 million⁷ and an annual budget of approximately \$2.4 billion.⁸

PICA is administered by a governing board consisting of five voting members and two ex officio nonvoting members. All five of the voting members work in the private sector. The governor, the president pro tempore and minority leader of the Senate, and the speaker and minority leader of the House of Representatives each appoint one voting member of PICA from the Commonwealth of Pennsylvania.

PICA members, serve in the following offices, which they elect among themselves: chairperson, vice chairperson, secretary, assistant secretary, and treasurer. They may elect other officers as the members may determine. The secretary of the budget of the Commonwealth and the director of finance of Philadelphia serve as ex officio members of PICA. The ex officio members have no voting rights, are not counted for purposes of establishing a quorum, and may designate in writing a representative of their respective offices to attend PICA meetings on the members' behalf.

Number and Composition of Board Staff

PICA has seven Board staff. Their titles and primary responsibilities are as follows:

- The executive director is directly responsible for all PICA matters and for relationships with PICA's Board members.
- The deputy executive director is directly responsible for PICA's financial matters, professional staff supervision, and reporting.

⁷This information was taken from the 1990 population census.

⁸This information was taken from the City of Philadelphia's fiscal year 1996 general fund budget.

- The senior analyst is responsible for the ongoing reviews of city reports to PICA and for initial drafts of PICA reports on city performance.
- The analyst assists the senior analyst and is initially responsible for PICA capital project funds' accounting and oversight.
- The administrative assistant serves as secretary to PICA and also as overseer of PICA's computer local area network. In addition, the administrative assistant helps professional staff as needed in report preparation and provides guidance to secretarial staff.
- The secretary primarily functions as assistant to the executive director.
- The secretary/receptionist handles all phone calls; assists in correspondence and report preparation; and is responsible for reports reproduction, filing, and handling mail.

In addition, according to PICA's Executive Director, PICA has working relationships with various other government offices, such as the city controller's office for ongoing analysis of city operations and plans; the city school district for procurement and printing services; the state treasurer for PICA tax collection; the state controller's office for payroll services; and the Philadelphia Regional Port Authority for personnel services.

Staff Salaries

The executive director's salary is set by the Board members. All other staff salaries are set by the executive director. (Formal Board member approval for staff salaries is not required.) While there is no state or local government pay scale tie-in, all employees are required to be state residents.

Office Space

According to PICA officials, PICA's office is not situated in City of Philadelphia facilities for both perception and security considerations. As the state agency with oversight responsibilities for the city government, PICA wants to maintain its independence from the city in appearance and in actuality. PICA normally holds hearings, meetings, and negotiations with city officials in its office. According to PICA officials, since the

public, city officials and employees, and the news media recognize PICA's continuing autonomy, PICA recommendations are generally accepted as contributions by an independent evaluator.

In addition, because of the continuing discontent of the city employee labor unions (both uniformed and nonuniformed) with PICA labor contract oversight powers, privatization recommendations, and suggestions for operational improvements, PICA maintains that noncity space (with custodial, janitorial, and ancillary services performed by noncity employees) is preferable from a security and privacy standpoint.

Buy-out/Transfer Arrangements

There were no buy-out arrangements or other transfer arrangements from the staff's previous employers.

Audit of Board

PICA is audited annually by a nationally recognized independent firm of certified public accountants. The audit report is included in PICA's annual report.

MASSACHUSETTS FISCAL OVERSIGHT BOARD FOR THE CITY OF LAWRENCE

The Lawrence Fiscal Oversight Board was established in 1990. Lawrence has a population of 62,117⁹ and an annual budget of \$144.9 million.¹⁰

The Oversight Board is made up of three city officials and four state officials. The city officials are the mayor, the president of the City Council, and a designee of the School Committee. The four state officials are the commissioner of administration and finance, commissioner of education, commissioner of revenue, and director of accounts in the Department of Revenue's Division of Local Services, or their designees. The commissioner of administration and finance, commissioner of revenue, and director of accounts have designated senior-level personnel from the Division of Local Services, which has certain statutory

⁹This information was taken from the 1990 population census.

¹⁰This information was taken from the City of Lawrence's fiscal year 1994 budget.

responsibilities in the area of local finance, to serve in their places. The Commissioner of Education has also designated a senior staff person to serve in his place.

Size and Composition of Board Staff

According to the chair of the Lawrence Oversight Board, the Board has no separate budget, staff, or physical office space. The Division of Local Services' professional and support personnel provide the necessary services for the Board as part of their regular duties.¹¹

Staff Salaries

According to the chair of the Lawrence Oversight Board, since the staff who work on the City of Lawrence's issues are part of the Massachusetts Division of Local Services, their salaries are tied to the state's pay scale.

Office Space

The Oversight Board is not housed in City of Lawrence office space. It is physically located in a Massachusetts office building in the Massachusetts Department of Revenue, Division of Local Services.

Buy-out/Transfer Arrangements

There were no buy-out arrangements or other transfer arrangements.

Audit of Board

There has never been an audit of the Oversight Board. According to the Oversight Board, an audit is not likely to be undertaken since the Board does not have its own budget.

¹¹Officials in the Department of Revenues, Division of Local Services, were not able to provide us with an estimate of full-time equivalent employees assigned to oversight Board activities for the City of Lawrence.

STATE OF NEW YORK EMERGENCY
FINANCIAL CONTROL BOARD FOR
THE CITY OF YONKERS

The State of New York established the Emergency Control Board for the City of Yonkers in 1984. Yonkers has a population of 188,082,¹² and the Control Board oversees its annual budget of approximately \$415 million.¹³

The Control Board has six voting members: the counsel to the secretary of state, the assistant deputy comptroller for municipal audits, the mayor, and three members from the private sector. In addition, there are five public representatives who do not have voting rights on the Board but can suggest matters for discussion.

Number and Composition of Board Staff

At present the Board's staff is comprised of four positions--an executive director, who is also functioning as legal counsel; two associate financial analysts; and a secretary. The Control Board is budgeted for up to 10 positions, which would include the following: an executive director, a counsel, two principal financial analysts, two associate financial analysts, two senior financial analysts, and two secretaries. However, according to a letter the Control Board submitted, the Board has never operated at this level. During most of its tenure, the Board has functioned with six positions--an executive director, a counsel, two associate analysts, and two secretaries.

The responsibilities of the staff are as follows:

- The executive director oversees all office and Control Board functions, signs all city contracts and other official documents, and interfaces with the Board members. In conjunction with the Board members, the executive director is also responsible for policy matter decisions.
- The counsel provides legal assistance, interprets laws and statutes, and reviews city contracts. The counsel has also functioned in the capacity of deputy executive director. As

¹²This information was taken from the 1990 population census.

¹³This information was taken from the City of Yonkers' projected fiscal year 1996 budget.

stated above, the executive director is currently operating in the capacity of counsel.

- The associate financial analysts assist in preparing the city's financial plan, ensure that contracts conform to the financial plan, and monitor city revenues and expenditures. They also perform all financial analyses and prepare staff reports/analyses for Control Board action.
- The secretaries provide general administrative support.

Staff Salaries

According to the Board, staff salaries are tied to the state's salary scale for management confidential employees; however, the local government reimburses the state for all costs related to this office. The state has a provision for locality pay, and employees receive a small adjustment for working in the New York City metropolitan area. The staff are considered management confidential exempt employees. They do not have civil service status and are not eligible for step increases; however, the staff receive the same cost of living increases as other managerial state employees.

Office Space

Since its tenure, the Board has been physically located in leased space that is not city owned. Although there have been discussions from time to time of occupying city owned space, this has never happened, primarily because of the need to remain and appear independent of the city.

Buy-out/Transfer Arrangements

There were no buy-out or transfer arrangements made from the staff's previous employers. The Control Board has direct hiring authority, and these positions are exempt from traditional civil service rules. Prospective employees negotiate their own salaries within the salary range of the position. Employees receive all state benefits and, if they choose to do so, accrue time in the state retirement system.

Audit of Board

The Control Board has never been audited by an independent firm. According to the Board, the Control Board generally operates in an

oversight capacity and does not manage or disburse funds except under very specific circumstances. The City of Yonkers, however, is audited annually by an independent auditor and periodically by the state comptroller's office.

NEW YORK STATE SUPERVISORY
BOARD FOR THE CITY OF TROY

In 1994, the New York State Legislature created a Supervisory Board for the City of Troy. The City of Troy has a population of 54,289¹⁴ and a general fund operating budget of \$37.4 million.¹⁵

The Board is comprised of five members: the state comptroller who serves as the chairman, two members appointed by the governor, one member appointed by the chief executive officer, and one member appointed by the City Council.

Number and Composition of Board Staff

According to officials in the state comptroller's office, the Board had not engaged any staff as of October 23, 1995, although the legislation authorizes it to do so. The Troy Supervisory Board is currently staffed by members of the state comptroller's permanent staff, who, for the present time, assume these responsibilities as collateral duties and without additional compensation.¹⁶ According to officials in the Office of the State Comptroller, with the expansion of the Board's powers in 1995, there have been several discussions concerning how the Board will be staffed. One alternative to hiring staff that is being considered is to have the various functions performed by staff members of the Division of Municipal Affairs.

¹⁴This information was taken from the 1990 population census.

¹⁵This information was taken from the City of Troy's general fund operating budget for the fiscal year ending December 31, 1995.

¹⁶Officials in the Office of the State Comptroller, Division of Municipal Affairs, were not able to provide us with an estimate of full-time equivalent employees assigned to control board activities for the City of Troy.

Staff Salaries

According to officials in the state comptroller's office, the salary of the state comptroller's staff in the Division of Municipal Affairs, who currently perform the oversight function for the Troy Supervisory Board, is tied to the New York State pay scale.

Office Space

The Troy Supervisory Board is not located in Troy's owned office space. It is physically located in the state comptroller's office building in Albany, New York. However, there has been discussion of a rent-free Troy office, which might be located in Troy City Hall.

Buy-out/Transfer Arrangements

There were no buy-out arrangements or transfer arrangements.

Audit of Board

The Troy Supervisory Board has never been audited.

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